Subject: Oct 16 Status
Date: Sunday, October 19, 2003 3:32 PM
From: Deepak Moorjani [redacted]
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On Oct 16, Chuck Parcher of Skybank decided to reject the offers from the auction and wants to pursue the sale of the house independently. He also indicated that he doesn't want to force bankruptcy and wants to work with us to find a solution. He understands that interest payments will not be made and that the loan will technically be in default. He has indicated that he would like to maximize the sales price of the house and then be paid any remaining balance via assets sales. He is not able to give any further thoughts than this, because he needs to consider the issue in greater detail.

By Oct 15, he has received financial statements from GIM and ZGM and also toured the house. If nothing else, the auction put a floor on the value of the house ($675k), because the bank might face some lender liability by not taking one of the offers.

There are two paths that we can take, and the two are not mutually exclusive. That is, we can pursue option #1, and if that fails, we should be a bit more aggressive and pursue option #2.

1. Give the latest appraisal to Chuck which values the house at $1.1mm. We also give him the deed and say we want to walk away. Chuck is currently trying to develop a feel for the house's true value, so we can save him some work by giving him the appraisal which was done in the last few weeks. If it remains unsigned by the lead appraiser, then we should get it signed (after all, it is incomplete and we should not be charged for incomplete work).

2. The house was refinanced in 1999 and 2001 and as part of this process, I'm going to guess that an appraisal was done at least once. I think it was during this process that a $1.4mm appraisal was issued. If this is the case, it would be helpful to know who did the appraisal and if the appraiser was recommended or selected by the bank.

We have to ask how anyone could have appraised the house at $1.4mm? The house clearly is not worth that amount, and this 20% reduction ($1.4mm v $1.1mm) becomes even more surprising when the average house price in the US and in Toledo has increased during this period (we should quantify the market appreciation). We should make the case that the bank influenced the appraisal as part of its aggressive/deceptive lending practices.

In a nutshell, we took the large loan because the bank told us the house was worth $1.4mm. We thought that there would be equity in the house, but in the end, there isn't because the appraisal was so "out of market." The bank effectively shoved a large (over 100% loan-to-value) loan on us, and we no longer have any equity.

Some things to keep in mind:
- We should get a copy of the broker agreement with Pamela Rose. I've heard that there is a 90-day tail (meaning, she get a fee if the house is sold within 90 days of the auction). It would help to clarify this and well as any other possible obligations that we might have

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- We need to get copies of the appraisals (recent and earlier versions). Which appraisers were chosen by the bank and which were chosen by us?
- As a side note, the expiration date came and went on Friday. The high bidder sent a note saying that he has withdrawing his bid, and he also put a stop payment on his check. This is purely FYI.